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No. _____

In The
Supreme Court of the United States

October Term 1998

MIJA S. ROMER;
KHEM C. BATRA,

Petitioners,

v.

UNITED STATES OF AMERICA,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

Petition for Writ of Certiorari

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QUESTIONS PRESENTED

I. Whether there exists any type of commercial transaction that may be deemed outside the ambit of the Sherman Antitrust Act for the purposes of criminal prosecution?

II. Whether substantial compliance with the strictures of *Fed. R. Crim. P. 30* by defendants in a criminal action preserves their objections to jury instructions?

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PETITION FOR A WRIT OF CERTIORARI

Petitioners Mija S. Romer and Khem C. Batra respectfully request that a Writ of Certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Fourth Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals (App. 1) is reported at 148 F.3d 359 (4th Cir. 1998).

JURISDICTION

The opinion of the court of appeals issued on June 24, 1998. (App. 1). A timely petition for rehearing and rehearing in banc, filed by both Petitioners, was denied on July 21, 1998. (App. 24). Pursuant to a timely motion for extension of time within which to file a Petition for Writ of Certiorari, the Court ordered on October 8, 1998, that the instant Petition be filed on or before November 19, 1998. The jurisdiction of the Court is invoked under 28 U.S.C. §1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS

United States Constitution, Art. I, Sec. 8, Cl. 3 provides in relevant part that:

> The Congress shall have power . . . [t]o regulate Commerce . . . among the several states . . . .

United States Constitution, Amendment Ten provides in relevant part that:

> The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.

Title 15 of the United States Code, Section 1 ("The Sherman Act") provides in relevant part that:

> Every contract, combination in the form of trust or otherwise, or conspiracy, in restrain of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal.

Federal Rule of Criminal Procedure 30 provides in relevant part that:

> No party may assign as error any portion of the charge or omission therefrom unless that party objects thereto before the jury retires to consider its verdict, stating distinctly the matter to which that party objects and the grounds of the objection.

STATEMENT OF THE CASE

Mija Romer and Khem Batra were convicted for violating the Sherman Antitrust Act due to their involvement in a conspiracy to limit bidding ("bid-rigging") at several real estate foreclosure auctions in Fairfax County, Virginia. *15 U.S.C. §1*. The factual summary below sets forth generally how real estate is auctioned in Virginia and how the conspiracy worked.

A. Factual Summary of Sherman Act Conviction

1. Procedure of Virginia Foreclosure Auction

The Commonwealth of Virginia requires that all sales of foreclosed real properties be conducted at public auction.[1]/ The sales are advertised in a local newspaper and are conducted by a trustee who must be a Virginia resident.[2]/ If the lender is an out-of-state entity, it sends an agent to bid on the property, usually bidding the amount of its outstanding loan obligation. Thirty percent (30%) of all real estate foreclosure sales in Virginia involve out-of-state lenders. (JA 77).[3]/ The trustee conducting the public auction is obligated to obtain the highest possible price for the foreclosed property. After the auction is conducted, the trustee is responsible for remitting the proceeds to the appropriate parties. The lienholder receives monies sufficient to satisfy the outstanding mortgage, and the remainder, if any, is paid to the real property owner. (JA 78, 92). Eighty percent (80%) of all sales are only attended by the lender's agent, and in ninety percent (90%) of the sales the lender is the highest bidder and wins the property. (JA 177).

A typical example of a foreclosure sale is as follows. Maryland National Bank forecloses on a piece of property in

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[1] Each state regulates its own real estate foreclosure process. However, Virginia's laws are similar to other state's laws. See *United States v. Guthrie*, 814 F.Supp. 942 (E.D. Wash. 1993), *affd.* 17 F.3d 397 (9th Cir.), *cert. denied*, 513 U.S. 823 (1994).

[2] Code of Virginia, 1950, as amended ("Virginia Code") §§ 55-58.1, 55-59.

[3] "JA" refers to the five volume Joint Appendix filed with the Fourth Circuit in the matter that is currently the subject of the instant Petition For Writ Of Certiorari. The number following "JA" references the page number of the Joint Appendix.

Virginia upon which it held a forty thousand dollar ($40,000.00) mortgage. It would be required to retain a Virginia resident to serve as trustee for the conduct of the auction. The foreclosure action would be advertised in a local newspaper. On the advertised date and time, at the advertised location (Fairfax County Courthouse), the real property would be auctioned off to the highest bidder. If the highest bid were fifty thousand ($50,000.00), then the trustee would collect that amount, transmitting $40,000.00 to Maryland National Bank and $10,000.00 (minus expenses) to the real property owner.

2. The Antitrust Conspiracy

Ms. Romer and Mr. Batra, both of whom are residents of Virginia, are real estate speculators who purchase real properties in Northern Virginia. In the spring of 1993 through April 1995, Ms. Romer and Mr. Batra joined with other local real estate speculators and agreed to limit the bidding among themselves at public foreclosure auctions for residential real estate conducted in Fairfax County, Virginia. All of the properties that they purchased as part of this scheme were owned by Virginia residents.

If a member of the conspiracy was the successful bidder on a property, then the conspiracy participants would gather at a second private auction. The group would then rebid the properties amongst themselves. The difference between the public sales price and the resale price at the second auction would be divided among the disappointed participants in the second auction. The indictment contained nine (9) properties that either Ms. Romer of Mr. Batra or both purchased during the conspiracy.

For example, with respect to 9100 Arlington Boulevard in Fairfax County, Virginia,[4]/ (one of the nine properties) the "conspirators" were the successful bidders at the public auction, obtaining the property for one hundred and ten thousand dollars ($110,000.00). Mr. Batra and three (3) of his partners (who had been present at the public auction) then participated in a second, private auction, wherein one of the conspirators obtained the real property for one hundred and thirty thousand dollars ($130,000.00). The twenty thousand dollar ($20,000.00) difference between the private auction price and the public auction price -- the "premium" -- was then divided among three (3) unsuccessful or disappointed private bidders.

B. Petitioners Requested Jury Instructions

Ms. Romer and Mr. Batra requested that the district court instruct the jury on the defense theory of the case and the law of partnership and joint venture. (JA 1092-1093). Ms. Romer and Mr. Batra contended that they were not "competitors" but partners engaged in partnerships or joint ventures to purchase real property. They submitted evidence that they shared information, resources and money to purchases these properties, and focused their defense on these considerations. At the conclusion of the evidence, Ms. Romer and Mr. Batra submitted a jury instruction outlining the proof that was required in a Sherman Act case (JA 1310A-1310F), including the need to prove that they were competitors.[5]/ They further offered the law on partnership and joint bidding[6]/ and gave examples of factors that would support their contention that they were engaged in legitimate

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[4] This case reflects a high premium, usually the difference between the public sale price and the private sale price was a few thousand dollars.

[5] JA 1080-1105.

[6] JA 1080-1105.

partnerships.[7]/ When the district court denied these proposed jury instructions, Ms. Romer and Mr. Batra noted their objection.

Ms. Romer and Mr. Batra also requested that the district court provide a copy of the instructions it planned to use before closing argument because "there is a great deal of concern" about the language in the instructions. (JA 1092-1093). The district court denied this request. After the jury was charged, but before they were permitted to commence deliberations, the district court held a conference at the bench regarding the charge. Whereupon, Ms. Romer and Mr. Batra again asked that their instruction on the defense theory of the case -- that they were not competitors and had introduced evidence that they were partners -- be given to the jury. The court denied this request and again they "noted" their objection.[8]/

Upon review of the record, the Fourth Circuit held that Ms. Romer and Mr. Batra failed to preserve their objection pursuant to Fed. R. Crim. P. 30, and further held that they failed to meet the standards for plain error. (App. 11-13).

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[7] The government submitted a jury instruction on various factors that would support a bid-rigging finding, and the district court charged the jury with that instruction.

[8] DEFENDANTS: Your Honor, we would ask the Court consider giving the jury the defense's theory of the case, at least for some of these transactions it involved joint bidding or group bidding versus bid rigging.

COURT: I think I have made that clear enough to them. I explained what the difference is and what is legal and illegal, but I'm not going to give that again.

DEFENDANTS: Please note our objection. (JA 1232-1233).

C. Procedural Summary

On September 12, 1996, a federal grand jury in the Eastern District of Virginia issued an Indictment charging *inter alia*, Ms. Romer and Mr. Batra with violating the Sherman Antitrust Act, 15 U.S.C. § 1. A trial by jury was conducted January 21, 1997, through January 27, 1997, the result of which was the convictions of Ms. Romer and Mr. Batra. Both Ms. Romer and Mr. Batra were sentenced on April 18, 1997, and judgment was entered on that date.

Ms. Romer and Mr. Batra (hereinafter "Petitioners") filed a timely appeal of their convictions. On June 24, 1998, the United States Court of Appeals for the Fourth Circuit affirmed their convictions. Their Petition for Rehearing and Suggestion for Rehearing *In Banc* was denied on July 21, 1998.

REASONS FOR GRANTING THE PETITION SUMMARY OF REASONS WHY THE WRIT SHOULD ISSUE

The United States Court of Appeals for the Fourth Circuit has decided an important question of federal law that has not been, but should be, settled by this Court. The Fourth Circuit's opinion also conflicts with relevant decisions by this Court.

Current circuit court interpretations of Sherman Act jurisdiction have eliminated any vestige of local commerce. Regardless of the trade actually restrained, courts look at all aspects of the transaction to determine whether any conceivable link with interstate commerce can be found. The jurisdictional element of the Sherman Act, designed to require case-by-case analyses to determine whether federal jurisdiction is present in a particular case, has been reduced to a truism. This approach threatens state autonomy in criminal prosecutions, and permits the federal government to

exceed the limits of federal power permitted under the United States Constitution.

I. THE FOURTH CIRCUIT'S OPINION ELIMINATES ANY DISTINCTION BETWEEN INTERSTATE AND INTRASTATE COMMERCE

Unlike the civil type of case presented by *Summit Health, Ltd. v. Pinhas*, 500 U.S. 322 (1991), where a large hospital that is an interstate actor attempts to compartmentalize part of its activities to be purely local, this case regards the criminal application of law. The fundamental difference being that rather than enjoining certain types of conduct within a defendant's overall activities, here the federal government seeks to incarcerate an individual for unlawful restraint of interstate commerce. In such an instance, the actual trade restrained should be the focus of the interstate commerce jurisdiction. See *McLain v. Board of New Orleans, Inc.*, 444 U.S. 232 (1980) (requiring the defendant's activities to be in interstate commerce or, if local, to have a not insubstantial effect on interstate commerce). However, the Fourth Circuit considered "not only the location of the transaction and the immediate parties, but all conceivable links with interstate commerce, including the interests of secondary parties and the passage across state lines of goods and services related to the transaction." (App. 8) (emphasis added).

This case is representative of a class of cases that have resulted from the ambiguity in Sherman Act Antitrust case law. There is confusion among circuit court opinions concerning the line of demarcation between intrastate and interstate commerce, and this Court itself seems divided.[9]/ [10]/

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[9] The dissent in *Summit Health*, *infra*, stated that the Court did not address the confusion created by *McLain* and instead created a new Sherman Act interpretation. *Summit Health* 500 U.S. at 336.

At issue is what constitutes the appropriate interpretation of this Court's opinion in *McLain* in setting the standard for interstate commerce requirement for Sherman Act jurisdiction. Prior to *Summit Health* the position adopted by the First, Second, Sixth, Seventh, Eighth, and Tenth Circuit Courts of Appeal was that the allegedly anti-competitive activity, if it is local in nature, must affect interstate commerce. The minority position, expressed by the Ninth Circuit Court of Appeals, was that the allegedly anti-competitive activity need not affect interstate commerce. Sherman Act jurisdiction, the minority maintained, can be found if the general activities of the defendant are alleged to have a not insubstantial effect on interstate commerce. However, while *Summit Health* may provide guidance in civil cases concerning defendant corporations that are regularly engaged in interstate commerce, it sheds little light on criminal activities unique to individuals, and thus has not clarified the *McLain* standard.

A. The Decision Below

Section 1 of the Sherman Act prohibits contracts, combinations or conspiracies "in restraint of trade or commerce among the several States ...." *15 U.S.C. § 1.* In a Sherman Act prosecution, the government bears the burden of proving beyond a reasonable doubt a connection between the defendant's activities and interstate commerce. *See McLain*, 444 U.S. at 242. The Fourth Circuit outlined its goal to answer the "more general question, whether the

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[10] During four hours of deliberations, the jury requested on three separate occasions clarification on the federal government's jurisdiction under the Sherman Act. (App. 26-27). They were confused by how the defendants had to affect interstate commerce. After the third question, they were directed to convict if money or debt crossed state lines during the foreclosure process.

activities under alleged restraint have a sufficient nexus with interstate commerce." (App. 7 quoting *United States v. Foley*, 598 F.2d 1323, 1329 (4th Cir.), *cert. denied*, 444 U.S. 1043 (1979).

In addressing this goal, the Fourth Circuit held that although all of the real estate sales occurred in Virginia and that all of the participants, including the trustee and all non-institutional bidders, were Virginia residents, the activities were not purely local. In making this finding, the Court looked at the substance of the transaction at issue "with an eye toward assessing its interstate features." (App. 8). The Court looked "not only at the transaction and the immediate parties, but all conceivable links with interstate commerce, including the interests of second parties and the passage across state lines of goods and services related to the transaction." *Id.* The Court was impressed with the fact that the out-of-state lenders initiated the sales and received a portion of the monies to satisfy its interest in the property sold. However, not only was there no economic consequence to the lender -- none of its trade was restrained -- but the instigation of the local sale is irrelevant for purposes of determining federal jurisdiction. If any transaction was viewed with an eye toward all conceivable links with interstate commerce, notwithstanding the nature of the trade restrained, jurisdiction would be found.[11]/

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[11] Under current Sherman Act circuit court decisions, two school children who agreed to fix the price of selling lemonade on a street corner would be subject to federal jurisdiction, as their activities if viewed in the aggregate of all lemonade sellers would effect interstate commerce. *See Hammes v. AAMCO Transmissions, Inc.*, 33 F.3d 774 (7th Cir. 1994) (presenting the question: should there be an exception for cases having a trivial effect on interstate commerce?).

B. This Court's Jurisprudence Recognizes That Limitations Exist On Federal Authority Under The Commerce Clause

There exits an ambiguity as to whether any type of local commercial transactions are outside the jurisdiction of the Sherman Act. Interpretations of this Court's opinions in *McLain* and *Summit Health* have for all practical purposes eliminated the need to establish an interstate nexus to confer federal jurisdiction, as all activities -- when viewed from a global perspective -- have an effect on interstate commerce. If, however, it is true that all local transactions fall within the jurisdiction of the federal government, the case-by-case standard of review adopted by this Court in *United States v. Lopez*, 514 U.S. 549 (1995) is meaningless. In *Lopez*, this Court affirmed the need to preserve the federal versus state authority based on the Constitutional limitation of congressional power. Such preservation creates a deep tension in the cases between the go-to-the-constitutional limit position and the must-prove-substantial effect position. See, *Hammes v. AAMCO Transmissions, Inc.*, *supra*, 33 F.3d at 780 (a clear standard for Sherman Act jurisdiction is long overdue). Petitioners submit that this tension is necessary to meet Constitutional dictates, and to prevent federal authorities from usurping state police power. The absence of a clear guidepost on what activities must be restrained to permit federal jurisdiction has resulted in the misapplication of case law and the federal criminal prosecution of defendants restraining local commerce.

The term "Commerce Clause" is a great misnomer since the Constitution does not grant Congress the authority to regulate all commerce. Rather, the Constitution only gives Congress the authority to regulate certain discrete types of commerce -- interstate, foreign, and with the Indian Tribes. Chief Justice Marshall observed:

> [T]he enumeration of the particular classes of commerce, to which the power to be extended, would not have been made, had the intention been to extend the power to every description. The enumeration presupposes something, if we regard the language or the subject of the sentence, must be the exclusively internal commerce of state.

Gibbons v. Ogden, 22 U.S. 1, 194-195 (9 Wheat. 1), 6 L.Ed. 23 (1824).

This Court has recognized that a line must be drawn between interstate and intrastate activities that the federal government might seek to regulate. Indeed, this Court has consistently warned against the exercise of federal power that "would effectively obliterate the distinction between what is national and what is local and create a complete centralized government."

The Fourth Circuit's decision fails to respect the line that the Constitution, as well as *Gibbons v. Ogden, supra*, and its progeny through, and including, *United States v. Lopez, supra*, at 514 U.S. 549 requires be drawn between the interstate and intrastate commercial activities. There is compelling need for Supreme Court guidance in this matter.

C. The Circuit's Court's Opinion Does Not Comport With The *Lopez* Decision

The case of *United States v. Lopez, supra,* serves as a reminder that there are clear limits to federal authority under the Commerce Clause. In *Lopez*, this Court struck down the Gun-Free School Zones Act as being beyond Congressional authority under the Commerce Clause, even though

1) the gun in *Lopez* was an "article of commerce";

2) the gun in *Lopez* was not manufactured in Texas; and,

3) Mr. *Lopez* took the gun to school in anticipation of selling the weapon.[12]/

Thus, the *Lopez* decision makes it clear that just because an activity has a "conceivable" commercial aspect, the federal government does not always have authority to regulate it.

While, unlike *Lopez*, this case involves Sherman Act jurisdiction, the need to preserve state authority to prosecute criminal conduct is analogous.[13]/ Factually, this case does not rise to the *Lopez* level with respect to an interstate commerce nexus. Petitioners' activities were solely concerned with the purchase of real estate in Fairfax County, Virginia. Real estate, as a commodity, cannot move or be sold in interstate commerce. It is inherently local. And so too, were Petitioners' activities. If their activities are criminal, it constitutes a violation of Virginia[14]/ -- not federal -- law. As Justice Kennedy and O'Connor have warned:

> Were the Federal Government to take over the regulation of entire areas of traditional state concern (regulating the purchase and sale of

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[12] The federal government's arguments that since the trustee paid the proceeds of the sale to out-of-state lenders, interstate commerce was involved is flawed. Otherwise, the mere use of money in any exchange would invoke interstate commerce. If that were true, the Framers to the Constitution would not have limited federal regulation to commerce among the states, as money was a form of payment at that time.

[13] "When Congress criminalizes conduct already denounced as criminal by the States, it effects a "change in sensitive relation between federal land state criminal jurisdiction." *United State v. Lopez, supra,* 514 U.S. at 561, n.3 (quoting *United States v. Enmons*, 410, U.S. 396, 411-412 (1973)).

[14] Virginia Code § 59.1-9.1, et seq.

> local real estate), areas having nothing to do with the regulation of [interstate] commercial activities, the boundaries between the spheres of federal and state authority would blur and political responsibility would become illusory.

United States v. Lopez, *supra*, 514 U.S. at 577 (Kennedy, J. and O'Connor, J. concurring) (citations omitted).[15]/

II. THE CIRCUITS ARE IN CONFLICT AS TO WHAT CONSTITUTES PRESERVATION OF A PARTY'S OBJECTION TO JURY INSTRUCTIONS

The Circuit Court opinions are split as to what constitutes a preservation of an objection to a jury instruction for assignment of error. The Court should resolve this growing conflict between the circuit courts since the opposing viewpoints call into question the very process by which a litigant may be assured that objections to a jury instruction has been properly preserved for appellate review.

Federal Rule of Criminal Procedure 30 states in relevant part, "[n]o party may assign as error any portion of the charge or omission therefrom unless that party objects thereto before the jury retires to consider its verdict, stating distinctly the matter to which that party objects and the grounds of the objection." If the objection is preserved, the appellate court reviews the instructions for harmless error. *Fed. R. Crim. R. 52(a)*. If the objection is not preserved, appellate review is limited to plain error. *Fed. R. Crim. R. 52(b)*.

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[15] "Federalism serves to assign political responsibility, not to obscure it." Id. (quoting *FTC v. Ticor Title Ins. Co.*, 504 U.S. 621, 636 (1992)).

Petitioners contended that they were not "competitors" but rather partners engaged in partnerships and joint ventures to purchase real property. Evidence supporting this contention was introduced at trial. At the conclusion of the evidence, Petitioners submitted a jury instruction outlining the elements the federal government was required to establish in a Sherman Antitrust Act case, including the need to prove that Petitioners were competitors.[16]/ Petitioners further offered a proposed instruction on the law on partnership and joint bidding[17]/ and gave examples of the factors that would support their contention that they were engaged in legitimate partnerships.[18]/ The district court denied these proposed jury instructions on two occasions prior to the commencement of jury deliberations. Petitioners noted their objections on both occasions.

The Fourth Circuit held that the district court's jury instruction regarding the Sherman Antitrust Act charge may have been erroneous in that the jury was not instructed that Petitioners had to be competitors. (App. 12-13 quoting, *United States v. Sargent Elec. Co.*, 785 F.2d 1123, 1127 (3rd Cir.), *cert. denied*, 479 U.S. 819 (1986)). ("An agreement among persons who are not actual or potential competitors in a relevant market is for Sherman Act purposes [an act without consequence]."). However, the court held that Petitioners failed to preserve their objections pursuant to Rule 30. In reviewing this issue under the plain error standard, the court found that reversal was not warranted.

The split in the circuits regarding this issue has developed into a difference between form and substance. The

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[16] JA 1093.

[17] JA 1080-1105.

[18] The government submitted a jury instruction on various factors that would support a bid-rigging finding, and the district court charged the jury with that instruction.

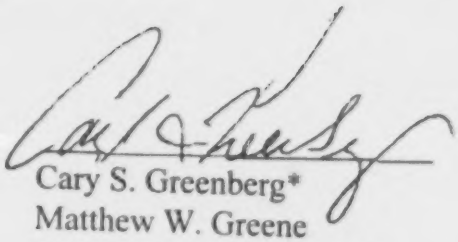
position adopted by the First Circuit, and now the Fourth Circuit *sub silentio* in the instant case, requires a strict, formalistic approach in determining the sufficiency of a properly lodged objection to a jury instruction under Rule 30. *United States v. O'Connor*, 28 F.3d 218, 221 (1st Cir. 1994), *United States v. Wilkinson*, 926 F.2d 22, 26 (1st Cir. 1991). The alternative position, stated by the Second and Ninth Circuits constitutes a more substantive review of the issue. The Second and Ninth Circuits examine the litigant's proposed jury instruction and argument concerning the instruction to determine if the district court has been made aware of the contested issue so as to afford it a realistic opportunity to modify the jury instruction. *United States v. Masotto*, 73 F.3d 1233, 1237-38 (2nd Cir.), *cert. denied*, 136 L.Ed.2d 18 (1996), *Ostrowski v. Atlantic Mutual Insurance Companies*, 968 F.2d 171, 177 (2nd Cir. 1992) (applying same analysis to strictures of *Fed. R. Civ. P. 51*), *United States v. Kessi*, 868 F.2d 1097, 1102 (9th Cir. 1989), *United States v. Klinger*, 128 F.3d 705, 710-711 (9th Cir. 1997).

Simply stated, this case demonstrates the prejudice that a defendant in a criminal action suffers when form is placed over substance. In the instant case, had the Fourth Circuit conducted a harmless error standard of review, such review would have demonstrated that the erroneous instructions influenced the jury's verdict, thereby affecting the substantial rights of Petitioners at trial.

CONCLUSION

For the foregoing reasons, Petitioners request that the Court accept review and reverse the decision below.

Dated: November 19, 1998



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PUBLISHED

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

UNITED STATES OF AMERICA,
Plaintiff-Appellee,

v.

MIJA S. ROMER,
Defendant-Appellant.

No. 97-4342

UNITED STATES OF AMERICA,
Plaintiff-Appellee,

v.

KHEM C. BATRA,
Defendant-Appellant.

No. 97-4343

Appeals from the United States District Court
for the Eastern District of Virginia, at Alexandria.
Leonie M. Brinkema, District Judge.
(CR-96-350-A)

Argued: January 29, 1998
Decided: June 24, 1998
Entered: June 24, 1998

Before MURNAGHAN, NIEMEYER, and MOTZ, Circuit Judges.

Affirmed by published opinion. Judge Murnaghan wrote the opinion, in which Judge Niemeyer and Judge Motz joined.

COUNSEL

ARGUED: John Hale Shenefield, MORGAN, LEWIS & BOCKIUS, L.L.P., Washington, D.C.; Cary Steven Greenberg, GREENBERG, BRACKEN & TRAN, P.C., Alexandria, Virginia, for Appellants. John J. Powers, III, Antitrust Division, UNITED STATES DEPARTMENT OF JUSTICE, Washington, D.C., for Appellee. **ON BRIEF:** Donald C. Klawiter, MORGAN, LEWIS & BOCKIUS, L.L.P., Washington, D.C.; John M. Tran, GREENBERG, BRACKEN & TRAN, P.C., Alexandria, Virginia, for Appellants. Joel I. Klein, Assistant Attorney General, A. Douglas Melamed, Deputy Assistant Attorney General, Marion L. Jetton, Anthony V. Nanni, James T. Clancy, Kathleen M. Mahoney, Antitrust Division, UNITED STATES DEPARTMENT OF JUSTICE, Washington, D.C., for Appellee.

OPINION

MURNAGHAN, Circuit Judge:

Mija Romer and Khem Batra (Appellants), were tried by a jury for various offenses stemming from their involvement in a conspiracy to rig bids at real estate foreclosure auctions. Both Appellants were convicted of violating the Sherman Act, 15 U.S.C. § 1. In addition, Romer was convicted of bank fraud, in violation of 18 U.S.C.

§ 1344, and tax fraud in violation of 18 U.S.C. § 371. On appeal, Appellants make various assignments of error with respect to their convictions, and Romer challenges her sentence. Finding no error, we affirm.

I.

Appellants are real estate speculators who, together with others, participated in a conspiracy to limit bidding competition at certain public foreclosure auctions in Fairfax County, Virginia. The purpose of the conspiracy was to hold down the price of auctioned properties by agreeing not to bid against one another at auctions -- an activity commonly known as "bid-rigging." During an auction, most members of the conspiracy would refrain from bidding, while one designated member would bid on and receive the property at a much-reduced price. Following the auction, members of the conspiracy would hold a private auction amongst themselves, at which point they would discuss the price they each would have bid for the property. The person with the highest bid would be given the deed, and the conspirators would divide amongst themselves the money saved by artificially holding down the price of the property.

Under Virginia law, all sales of foreclosed properties must be conducted at public auctions. See Va. Code Ann. § 55-59(7). If the lender who initiates the foreclosure is an out-of-state entity, a Virginia resident must be appointed to serve as "trustee." See Va. Code Ann. § 55-58.1(2). The trustee has a fiduciary duty to obtain the highest possible purchase price for the property. Following the auction, the trustee remits all proceeds to the appropriate parties -- the lender receives sufficient funds to pay off the mortgage and the remainder is returned to the homeowner or used to satisfy remaining liens.

As a result of their bid-rigging activities, Appellants were indicted by a federal grand jury on September 12, 1996. The indictment charged both Appellants, inter alia, with

violating the Sherman Act, 15 U.S.C. § 1, by conspiring to rig bids on nine properties sold at public auction. Appellants were also indicted for conspiracy to evade the payment of federal taxes, in violation of 18 U.S.C. § 371. Romer was individually indicted for bank fraud, in violation of 18 U.S.C. § 1344, for obtaining a loan by submission of false earnings information.

The case proceeded to a jury trial on January 21, 1997, in the United States District Court for the Eastern District of Virginia. At trial, Romer testified that she had attended and bid at private auctions on ten properties, and Batra admitted his involvement with six. The Government introduced evidence suggesting that members of the conspiracy had been concerned about having their illegal earnings detected and that they had agreed to make auction payments in cash in order to evade the Internal Revenue Service (IRS). Co-conspirator Leo Gulley testified that, following one private auction in March of 1994, members of the conspiracy, including both Appellants, had discussed the danger of creating a "paper trail" by making payments to each other with checks. Those present agreed that all payments would be made in cash. Gulley's testimony was confirmed by that of co-conspirator Alexander Giap, who had become a government informant and surreptitiously tape-recorded a number of the conspiracy's meetings. During one taped conversation, Romer cautioned the others that "you can't report it on your taxes." She later emphasized that "we don't want any check writing between us. If we get caught by IRS, we'll be dead."

The Government also produced evidence regarding Romer's fraudulent effort to obtain a loan from Herbert Bank and Trust Co. in October 1993. The evidence showed that in order to obtain approval for the loan, Romer, who is a CPA, informed bank officials that her gross income for 1992 was approximately $90,000. The bank approved Romer's loan based on her oral statement, but requested that Romer submit a tax return to substantiate her income. In response to that

request, Romer submitted a bogus IRS Form 1040, which she claimed to be her 1992 tax return and which overstated her gross income by approximately $85,000.

Appellants were convicted of violating the Sherman Act, and Romer was convicted of bank fraud and conspiracy to defraud the IRS. In determining Romer's sentence, the district court began with a base-offense level of 10, pursuant to U.S.S.G. § 2R1.1(a). The court then granted a 1-level enhancement, as authorized by U.S.S.G. § 2R1.1(b)(1), for submitting non-competitive bids in an antitrust conspiracy. The court also granted a 2-level enhancement for obstruction of justice, under U.S.S.G. § 3C1.1, based on the court's finding that Romer had intentionally withheld material information during sentencing. After grouping Romer's antitrust and tax conspiracy offenses, pursuant to U.S.S.G. § 3D1.2(c), and combining the result, as required by U.S.S.G. § 3D1.4, with Romer's bank fraud conviction, the court arrived at an offense level of 14. The court then sentenced Romer, within the applicable range, to a term of 18 months imprisonment on each count, followed by a total of 3 years supervised release, and ordered Romer to pay $27,269 in fines and restitution. This appeal followed.

II.

Appellants contend that the district court erred in denying their motion for judgment of acquittal, pursuant to Fed. R. Crim. P. 29(c), since the Government failed to demonstrate that the conspiracy's bid-rigging activities involved "commerce among the several states," as required by § 1 of the Sherman Act. We review de novo the district court's decision to deny judgment of acquittal. See United States v. United Med. & Surgical Supply Corp., 989 F.2d 1390, 1401-02 (4th Cir. 1993) (citing United States v. Garcia, 868 F.2d 114, 115 (4th Cir. 1989)). Where, as here, a motion for judgment of acquittal is based on insufficiency of the evidence, the conviction must be sustained if the

evidence, when viewed in the light most favorable to the Government, is sufficient for any rational trier of fact to find the essential elements of the crime beyond a reasonable doubt. See Jackson v. Virginia, 443 U.S. 307, 319 (1979) (citation omitted). In reviewing the sufficiency of the evidence, we are not entitled to weigh the evidence or to assess the credibility of witnesses, "but must assume that the jury resolved all contradictions . . . in favor of the Government." United Medical, 989 F.2d at 1402 (citation omitted). With these standards in mind, we now consider the merits of Romer's argument.

Section 1 of the Sherman Act provides in pertinent part that "[e]very contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, . . . is hereby declared to be illegal." 15 U.S.C. § 1. The language of the Sherman Act is conspicuous for its breadth. See United States v. South-Eastern Underwriters Ass'n, 322 U.S. 533, 553 (1944) ("Language more comprehensive [than that used in § 1 of the Sherman Act] is difficult to conceive."). Indeed, the Supreme Court has noted that by using the phrase "commerce among the several States," Congress intended the Sherman Act to reach the constitutional limits of the commerce power. See Summit Health, Ltd. v. Pinhas, 500 U.S. 322, 329 n.10 (1991) ("Congress 'meant to deal comprehensively and effectively with the evils resulting from contracts, combinations and conspiracies in restraint of trade, and to that end to exercise all the power it possessed.'") (quoting Atlantic Cleaners & Dyers, Inc. v. United States, 286 U.S. 427, 435 (1932)).

In a Sherman Act prosecution, the government bears the burden of proving beyond a reasonable doubt a connection between the defendant's activities and interstate commerce.[1] See McLain v. Real Estate Bd. of New Orleans,

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[1] The government's success in demonstrating the required nexus with interstate commerce "is both a critical jurisdictional fact and an element of the substantive offense charged under 15 U.S.C. § 1. Facts sufficient

Inc., 444 U.S. 232, 242 (1980). In McLain, the Supreme Court explained that in order to meet its burden the government must "demonstrate by submission of evidence beyond the pleadings either [1] that the defendants' activity is itself in interstate commerce or, [2] if it is local in nature, that it has an effect on some other appreciable activity demonstrably in interstate commerce." 444 U.S. at 242 (citation omitted). The first of these standards allows for application of the Sherman Act where the defendant's allegedly anticompetitive activities "lie directly in the flow of interstate commerce." United States v. Foley, 598 F.2d 1323, 1328 (4th Cir. 1979). Under the second standard, a defendant's conduct, although "wholly local in nature," McLain, 444 U.S. at 241, falls within the ambit of the Sherman Act when, "as a matter of practical economics," the activities "have a not insubstantial effect on the interstate commerce involved," id. at 246 (quoting Hospital Bldg. Co. v. Rex Hospital Trustees, 425 U.S. 738, 745 (1976)).

Although the McLain standards are often described as "tests," we explained in Foley that "[o]bviously these are not bright line, mutually exclusive tests," and that it may be "quite possible to analyze a particular pattern of activities without express reliance upon either." 598 F.2d at 1328; see, e.g., Goldfarb v. Virginia State Bar, 421 U.S. 773 (1975). Therefore, although our analysis may be guided by the McLain standards, we are mindful that our goal is to answer the "more general question, whether the activities under alleged restraint have a sufficient nexus with interstate commerce." Foley, 598 F.2d at 1329.

In the present case, Appellants argue that the Government has failed to carry its burden of establishing that their seemingly local bid-rigging activities had the required nexus with interstate commerce. In support of that contention, Appellants point out that the auctions involved

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for the one are sufficient for the other, and vice versa." United States v. Foley, 598 F.2d 1323, 1328 n.2 (4th Cir. 1979).

Virginia real property; took place entirely within the Commonwealth of Virginia; and that the participants, including the trustee and all non-institutional bidders, were Virginia residents. In light of those facts, Appellants contend that the thrust of the conspiracy's activities was purely local.

We disagree. As an initial matter, we note that the narrow conception of interstate commerce reflected in the Appellants' argument is without support in the law. Determining whether anti-competitive activities are within the reach of the Sherman Act is a practical inquiry, one which requires us to consider the substance of the transaction at issue. In conducting that inquiry, we look beneath the surface of the transaction, with an eye toward assessing its interstate features. We consider not only the location of the transaction and the immediate parties, but all other conceivable links with interstate commerce, including the interests of secondary parties and the passage across state lines of goods and services related to the transaction.

In light of the broad nature of our inquiry, we disagree with the Appellants' characterization of their auction-rigging activities as purely local. The driving force behind each auction was the financial interest of an out-of-state lender, who initiated the auction to recover the balance of an outstanding debt. Although each sale of property was conducted through the conduit of a Virginia trustee, that relationship was one of form rather than substance. In reality, the trustee was a mere resident agent, appointed by the lender to conduct the auction on the lender's terms. Despite superficial appearances, it was the lender who initiated the foreclosure, who directed the terms of the auction, and who, at the close of each sale, received across state lines some portion of the proceeds in satisfaction of its interest in the property. Therefore, we find it inescapable that, far from being purely local events, the auctions were interstate transactions of the most fundamental sort.

Appellants' next contention is that, even assuming the auctions were interstate in nature, the Government has failed

to demonstrate, under Goldfarb, 421 U.S. at 784, that the Appellants' participation was "integral" to or "inseparable" from the auctions. Appellants argue that the presence of non-institutional bidders, like themselves, was not necessary to the conduct of the auctions because, even in the absence of non-institutional bidders, the lender's own representative could bid on and receive the property at a price sufficient to cover the outstanding debt.

We find that argument unpersuasive. While it is no doubt true that the auctions could have proceeded in the absence of non-institutional bidders, Appellants were not convicted of rigging bids at hypothetical auctions they did not attend. Their convictions were for collusive behavior at nine auctions which they not only attended, but at which they were the successful bidders. By purchasing property at foreclosure auctions initiated by out-of-state lenders, Appellants assumed a role that was not only integral to but inseparable from the interstate sale of property. We therefore have no difficulty concluding that their activities were in the flow of interstate commerce.

In a final attempt to escape liability under the Sherman Act, Appellants argue, in reliance on United States v. Lopez, 514 U.S. 549 (1995), that the Sherman Act exceeds Congress's power to regulate pursuant to the Commerce Clause, because it grants federal jurisdiction over local activities with only a de minimis or attenuated connection to interstate commerce. However, under the express language of Lopez, an act of Congress is a valid exercise of the commerce power where, as here, the act contains a "jurisdictional element which . . .ensure[s], through case-by-case inquiry, that the [activity] in question affects interstate commerce." Id. at 561. Because we have conducted such an inquiry in the case at bar, we are confident that we have satisfied our obligations under Lopez.

In summary, we hold that when viewed in the light most favorable to the Government the evidence is sufficient to convince a jury beyond a reasonable doubt that the

Appellants' bid-rigging activities had the requisite nexus with interstate commerce. We therefore affirm the district court's denial of judgment of acquittal.

III.

Appellants maintain that the district court erroneously stated applicable law when it gave a supplemental jury instruction regarding the meaning of interstate commerce. The instruction included a hypothetical example in which three Virginia Volvo dealers conspired to fix the prices they charged for automobiles received from Volvo of America. The court explained that this type of agreement, "although formed in state, is going to have an impact on interstate commerce . . .[b]ecause part of the goods that are involved here are shipped from out of state . . . ." Hence, the court explained,"one of the things you have to look at in this case is the extent to which you find that there are out-of-state aspects of the real estate foreclosure process." According to Appellants, the court's instruction was erroneous because the use of the automobile analogy improperly compared real property to movable goods, and the instruction focused the jury's attention on the out-of-state aspects of the real estate foreclosure process.

We review the district court's jury instructions"in their entirety and in context." United States v. Muse, 83 F.3d 672, 677 (4th Cir. 1996) (citing Cupp v. Naughten, 414 U.S. 141, 146-47 (1973)). Therefore, we consider the language of the supplemental instruction together with all other instructions given by the district court on the interstate commerce issue. In the present case, Appellants failed to object to the district court's supplemental instruction during trial. Pursuant to Fed. R. Crim. P. 52(b), we are entitled to notice an error not preserved by timely objection only if the defendant can demonstrate that (1) an error occurred, (2) which was plain, and (3) which affected his or her substantial rights. See also United States v. Olano, 507 U.S. 725, 731-32

(1993). Even where such an error is identified, the decision to correct the error remains within the sound discretion of the court of appeals, to be exercised only when the error "seriously affect[s] the fairness, integrity or public reputation of judicial proceedings." Id. at 732 (quoting United States v. Young, 470 U.S. 1, 15 (1985)).

Upon a thorough review of the record, we cannot say that the district court's instructions were erroneous, let alone plainly erroneous. Contrary to Appellants' contentions, we find the court's choice of an automobile analogy to be appropriate. Although a piece of real estate being sold in interstate commerce does not itself pass across state lines, title certificates, advertising, financing, and other goods and services generated by the transaction pass from state to state as readily as automobiles. And the district court was careful to inform the jury that the focus of their inquiry was not the out-of-state activities themselves, but the relationship or impact of the Appellants' conduct tothose activities. We therefore find no error in the district court's instructions.

IV.

Appellants challenge the district court's refusal to grant two jury instructions pertaining to the defense's theory of the case. The first was a Black's Law Dictionary definition of the term "joint venture." According to Appellants, that instruction was necessary "because it defined a joint venture differently from a partnership insofar as it is a 'one time group of two or more persons in a business undertaking.'" The second requested instruction was to inform the jury that bid-rigging is only illegal if it is "an agreement between competitors not to bid."

It is well-settled that a district court should grant a jury instruction requested by the defense so long as the instruction has evidentiary foundation and accurately states applicable law. See United States v. Stotts, 113 F.3d 493, 496 (4th Cir. 1997) (citations omitted). Ordinarily, we

review the district court's refusal to grant a proposed instruction for an abuse of discretion, see United States v. Russell, 971 F.2d 1098, 1107 (4th Cir. 1992), but in the present case, although Appellants requested that the proposed instructions be given, they failed to object to the district court's denial of those requests. Therefore, under Olano, 507 U.S. at 731-32, our review of the district court's rulings is limited to plain error. See United States v. Arthurs, 73 F.3d 444, 448 (1st Cir. 1996) (applying plain error analysis where defendant requested instruction but failed to object when denied); United States v. Tringali, 71 F.3d 1375, 1380 (7th Cir. 1995) (same), cert. denied sub nom. Hernandez v. United States, 117 S. Ct. 87 (1996).

In the instant case, we are not convinced that the district court's rejection of the proposed instructions was plain error. As the court obviously recognized, the first instruction threatened to confuse the jury's understanding of applicable law. Given that danger, the court's own instruction -- that "forming a partnership or an agreement to bid on a contract [is not] necessarily a violation of the [Sherman A]ct" -- was adequate to inform the jury of the point the defendants sought to make.

As to the second instruction, it is true that bid-rigging is typically defined as an agreement "between competitors" to submit or withhold contract offers from a third party. See United States v. Portsmouth Paving Corp., 694 F.2d 312, 325 n.18 (4th Cir. 1982) ("[C]ollusive bidding is 'an agreement between competitors in a bidding contest to submit identical bids or, by preselecting the lowest bidder, to abstain from all bona fide effort to obtain the contract.'") (quoting 1 R. Callmann, The Law of Unfair Competition, Trademarks and Monopolies 203 (4th ed. 1981)); United States v. Sargent Elec. Co., 785 F.2d 1123, 1127 (3rd Cir. 1986) ("An agreement among persons who are not actual or potential competitors in a relevant market is for Sherman Act purposes [an act without consequence]."). Here, the district court's instructions, standing alone, informed the jury only that the

"critical factor" in a bid-rigging conspiracy is "an agreement between two or more persons to either eliminate, reduce or interfere with competition." While we believe that instruction may have been erroneous, we have no occasion to decide the issue in the case at bar, since even assuming, arguendo, that plain error occurred, it cannot be said that the error affected the Appellants' substantial rights.

We have recently held that to establish the third prong of the Olano plain error analysis in cases of jury misinstruction, the defendant bears the burden of proving that "the error actually affected the outcome of the proceedings," United States v. Hastings, 134 F.3d 235, 240 (4th Cir. 1998) (citations omitted), in other words, "that the jury actually convicted him based upon an erroneous understanding of the [law]," id. at 243 (citation omitted).

In the instant case, Appellants cannot meet their burden of demonstrating actual prejudice, since there was no evidence on which a properly instructed jury could have concluded that Appellants and their cohorts were anything but competitors. According to Appellants' own testimony, members of the conspiracy agreed to hold down the price of auctioned property by not bidding against one another. There was no evidence whatsoever that the purpose of that collusion was, as Appellants have suggested, merely a "partnership" to pool resources, share research, or spread risks. Quite the contrary, all the evidence suggested that the purpose of the conspiracy was to obtain property at artificially depressed prices and to divide the savings among those competitors who refrained from bidding. In light of all this, we find no reason to believe that a properly instructed jury could have acquitted the Appellants, and we affirm their convictions accordingly.

V.

Appellants maintain that the district court erred in admitting two pieces of evidence during trial. We review the

district court's rulings for an abuse of discretion. See United States v. Ellis, 951 F.2d 580, 582 (4th Cir. 1991); United States v. Masters, 622 F.2d 83, 87-88 (4th Cir. 1980) (citations omitted). For the reasons stated below, we affirm.

A. Newspaper Article

The first piece of contested evidence is a Washington Post newspaper article that described a recent bid-rigging conviction in the District of Columbia. The Government introduced the article to provide background to a taped conversation that occurred on October 1, 1994, in which the conspirators referred to the article and its discussion of convictions. According to Appellants, the article was inadmissible hearsay under Rules 801 and 802 of the Federal Rules of Evidence, and, in any event, was more prejudicial than probative and should have been excluded under Rule 403.

With respect to the first contention -- that the article was inadmissible hearsay -- the district court held that the article was admissible because it was not offered to prove the truth of its contents, see Fed. R. Evid. 801(c), but rather to place in its proper context the conspirators' taped discussion about the article. The district court cautioned the jury that the article was not offered "to prove the guilt or innocence of any of the defendants in this court or to establish that there was, in fact, a conspiracy in th[e] District[of Columbia]. It simply was introduced in the area of the reactions to the article and certain comments that may have been made about it." In light of the independent relevance of the article and the district court's careful instruction to the jury regarding the limits of its use, we are confident that the article was admissible.

We also reject Appellants' contention that the article was impermissibly inflammatory under Rule 403, which provides that otherwise relevant evidence "may be excluded if its probative value is substantially outweighed by the

danger of unfair prejudice, confusion of the issues, or misleading the jury . . . ." In the present case, although the article may have had some prejudicial impact, we cannot say that such impact substantially outweighed the article's probative value. Moreover, any danger of prejudice was substantially minimized by the district court's careful instructions to the jury that the article was being offered for context only and that the conduct described therein occurred in a different jurisdiction and "may or may not be similar to the conduct involved here." Therefore, we cannot say that the district court abused its discretion by admitting the article into evidence.

B. Plea Agreement

The next piece of challenged evidence is the testimony of co-conspirator Alexander Giap regarding a plea agreement he reached with the Government. When called by the Government to testify at trial, Giap explained that, as a result of his involvement with the conspiracy, he had pled guilty to three felonies, including bid-rigging, which he described as participating in an "agreement not to compete at . . . public auctions." Such was the full extent of evidence heard by the jury regarding Giap's plea agreement. The agreement itself was neither read to the jury nor submitted into evidence.

Although it is generally recognized that the prosecution can introduce evidence of a plea agreement during direct examination of a government witness, that freedom is not unlimited. See United States v. Henderson, 717 F.2d 135, 137 (4th Cir. 1983). Whenever the government offers evidence of a plea agreement, there is a danger that "the agreement may aid the government by indicating the witness's knowledge of the crime or by [conveying] . . . the unspoken message . . . 'that the prosecutor knows what the truth is and is assuring its revelation.'" Id. (quoting United States v. Roberts, 618 F.2d

530, 536 (9th Cir. 1980)). To guard against such danger, we have held that the government may elicit testimony regarding a plea agreement only if: (1) the prosecutor's questions do not imply that the government has special knowledge of the witness's veracity; (2) the trial judge instructs the jury on the caution required in evaluating the witness's testimony; and (3) the prosecutor's closing argument contains no improper use of the witness's promise of truthful cooperation. See id. at 138.

In the present case, the district court fully complied with the safeguards laid out in Henderson. At no point during questioning or closing argument did the Government imply special knowledge or guarantee of Giap's veracity, and the district court gave a cautionary instruction that, due to Giap's status as an informant, his testimony must be viewed more critically than that of other witnesses. Therefore, we cannot say that the district court abused its discretion by admitting the challenged testimony.

VI.

Romer contends that the Government's evidence and arguments at trial constituted a variance from her indictment. According to Romer, although her indictment alleged bank fraud by way of submission of false documents, the Government's evidence at trial suggested that she also facilitated fraud by way of oral statements to bank officials.

We have previously explained that a variance occurs when "the evidence at trial establishes facts materially different from those alleged in the indictment." United States v. Kennedy, 32 F.3d 876, 883 (4th Cir. 1994) (citations omitted). Where a variance is found to have occurred, reversal is required only if the defendant demonstrates that the error infringed his or her "substantial rights" and thereby resulted in "actual prejudice." Id. at 883 (citations omitted). In United States v. Fletcher, 74 F.3d 49 (4th Cir.), cert. denied, 117 S. Ct. 157 (1996), we explained that prejudice

may result if the variance surprises the defendant at trial and thereby hinders his or her ability to prepare a defense, or if the variance exposes the defendant to the risk of a second prosecution for the same offense, see id. at 53 (citations omitted).

In the case at bar, we are not persuaded that a variance was committed. Although Romer's indictment does not mention oral statements, the language of the indictment is broad and non-exclusive. It alleges that Romer "executed a scheme . . . to defraud a financial institution . . . by means of false and fraudulent pretenses, representations and promises," and that, "[a]s part of the loan application process," Romer submitted a false IRS Form 1040. Although the indictment mentions Romer's false IRS form, it does not exclude other statements or submissions that were part and parcel of the same fraudulent endeavor.

In any event, even assuming, arguendo, that a variance occurred, Romer has failed to demonstrate actual prejudice. Under 18 U.S.C. § 1344, bank fraud consists of "knowingly execut[ing], or attemp[ting] to execute, a scheme or artifice . . . (2) to obtain [funds] . . . by means of false or fraudulent pretenses, representations, or promises . . . ." Here, even disregarding all evidence of false statements, Romer's conviction could be sustained on the basis of her fraudulent tax form alone. In any event, we are confident that any variance, if indeed one occurred, did not subject Romer to the threat of a second prosecution or hinder her ability to prepare a defense. Therefore, even assuming that the Government's evidence varied from the indictment, no prejudice resulted and we affirm Romer's conviction accordingly.

VII.

Romer claims that the district court erred in denying her motion for judgment of acquittal, pursuant to Fed. R. Crim. P. 29(c), since the evidence was insufficient to support

her conviction for defrauding the IRS. As discussed previously, we review the district court's ruling on a motion for judgment of acquittal de novo, see United Medical, 989 F.2d at 1401-02, asking whether the evidence, when viewed in the light most favorable to the Government, is sufficient to sustain a finding of guilt beyond a reasonable doubt as to each essential element of the offense, see Jackson, 443 U.S. at 319.

Romer was convicted of conspiracy to evade the payment of federal taxes, in violation of 18 U.S.C. § 371. To prove a violation of § 371 -- often referred to as a Klein conspiracy, see United States v. Klein, 139 F. Supp. 135 (S.D.N.Y. 1955) -- the government must establish: (1) that an agreement existed; (2) that the conspirators committed an overt act in furtherance of the conspiracy; and (3) that the defendant intended to agree to the conspiracy and to defraud the United States. See United States v. Tedder, 801 F.2d 1437, 1446 (4th Cir. 1986) (citation omitted). In the present case, Romer contends that the Government failed to meet its burden as to the first and third elements of its case.

We disagree. With respect to the first element, the Government presented sufficient evidence, by way of tape-recorded conversations, to establish that members of the conspiracy reached an agreement to make private auction payments in cash. At one meeting, Rosen asked Romer, Batra, Giap, and Gulley, "If I'm the successful bidder . . . [d]o I put [it] on my income tax? . . . [I]s this money being reported or not?" Gulley responded by stating, "[S]o what we're saying [is] we go cash . . . ." Romer answered, "Right," and Rosen, Giap, and Gulley agreed. Rosen then emphasized that the parties "can't report [the illegal earnings] on [their] taxes." During a later conversation, Romer reaffirmed to the others the importance of using cash, stating: "Everything that we do from now on has gotta be cash. . . . Because we don't want any check writing between us. If we get caught by the IRS, we'll be dead." In light of this evidence, we have no

difficulty concluding that Romer entered into an agreement to refrain from reporting her illegal earnings to the IRS.

As to the third element, Romer contends that the Government's evidence was insufficient to prove a specific intent to defraud the IRS of tax revenues, as opposed to an intent merely to avoid detection for bid-rigging. We find that argument to be unpersuasive. Although it is well-settled that a Klein conspiracy exists only when an objective of the agreement is "to thwart the IRS's efforts to determine and collect income taxes," United States v. Vogt, 910 F.2d 1184, 1202 (4th Cir. 1990) (citations omitted), the evidence here is sufficient to support a determination that such a purpose existed. We are confident that a jury, when faced with the tape-recorded conversations -- including, most notably, Romer's statement that "if the IRS catches us, we'll be dead" -- could reasonably have concluded that Romer was at least in part motivated by the desire to evade the payment of federal taxes. We therefore affirm Romer's conviction for tax fraud.

VIII.

Romer's appeal alleges five assignments of error with respect to her sentence. We have carefully considered each of those contentions, and we find that only two necessitate extended discussion. In reviewing the remaining contentions, we are required by statute to give "due regard to the opportunity of the district court to judge the credibility of the witnesses," and must "accept the findings of fact of the district court unless they are clearly erroneous." 18 U.S.C. § 3742(e) (1988). Questions regarding the legal interpretation of the guidelines are reviewed de novo. See United States v. Daughtrey, 874 F.2d 213, 217 (4th Cir. 1989). With these standards in mind, we address each of Romer's arguments in turn.

A. "Non-Competitive Bids"

Romer contends that the district court erred in granting an upward enhancement in her sentence, pursuant to U.S.S.G. § 2R1.1(b)(1). That provision authorizes a one-level upward enhancement "[i]f the conduct involved participation in an agreement to submit non-competitive bids . . . ." According to Romer, that enhancement was intended to apply only to "bid-rotation" cases and was, therefore, improperly applied in the case at bar.

In support of her argument, Romer relies exclusively on the Seventh Circuit's decision in United States v. Heffernan, 43 F.3d 1144 (7th Cir. 1994). In that case, the defendant was a steel drum manufacturer who had conspired with other manufacturers to sell drums to customers at identical prices. See id. at 1145. The district court granted a one-level enhancement in the defendant's sentence, pursuant to § 2R1.1(b)(1), on the grounds that the conspiracy's activities constituted bid-rigging. On appeal to the Seventh Circuit, the court reversed, holding that price-fixing by way of submission of identical bids was not the sort of behavior to which § 2R1.1(b)(1) was intended to apply. See generally id. at 1146-50. In reaching that conclusion, the court determined, among other things, that § 2R1.1(b)(1) applied only to bid-rotation cases, and that the price-fixing engaged in by the conspiracy did not qualify as bid-rotation. Romer asks us to reach the same conclusions in the case at bar.

We decline to do so. For starters, we are not persuaded that § 2R1.1(b)(1) is limited to bid-rotation cases.[2] The language of the guideline is broad and non-exclusive. It authorizes a one-level enhancement for all cases involving the submission of "non-competitive bids." If the Sentencing

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[2] In Heffernan, the court explained that bid-rotation, which is also sometimes referred to as the submission of "complementary bids," occurs when a group of bidders agree "for each job . . . which of them shall be the low bidder, and the others submit higher bids to make sure the designated bidder wins." 43 F.3d at 1146.

Commission intended the enhancement to apply only to bid-rotation cases, it is reasonable to believe that the general term "non-competitive bids" would have been replaced by a more particular term, like "bid-rotation" or "complementary bids." That conclusion is strengthened by the fact that § 2R1.1(d)(3) actually uses the term "complementary bids," and discusses such conduct as though it were a sub-category, rather than a synonym, of bid-rigging in general. The lack of similar specificity in § 2R1.1(b)(1) would appear to indicate that the Commission intended the enhancement to apply generally to all forms of bid-rigging.

In any event, even if we assume, arguendo, that § 2R1.1(b)(1) applies only to bid-rotation cases, we are not convinced that auctionrigging is excluded from that category. It was undisputed that, prior to each auction, members of the conspiracy discussed which of them would submit the lowest bid, and the others agreed to abstain from bidding or, at the very least, not to outbid the chosen bidder. Bidding of that nature is complementary in the sense that the bids submitted and withheld are designed to assist the chosen bidder in obtaining the property at the lowest possible price, with the understanding that, over time, each conspirator will receive an appropriate pay-off. That is very different from the conduct faced in Heffernan, where the manufacturers merely agreed to sell their drums for an identical price and no complementary bids were exchanged. Therefore, even assuming that § 2R1.1(b)(1) applies only to bid-rotation, we are confident that auction-rigging falls within that category. We therefore conclude that the district court was justified in granting an upward enhancement.

B. Obstruction of Justice

Romer's final argument is that the district court erred in granting an enhancement in her sentence for obstruction of justice, pursuant to U.S.S.G. § 3C1.1. The court granted the enhancement on the grounds that Romer had failed to

provide the probation office with a complete accounting of her assets, which included various lines of credit amounting to over $36,000; the proceeds of seven properties Romer sold during 1996, which totaled more than $400,000; and the proceeds from the sale of a time-share property in Florida, which totaled more than $4,500.

Section 3C1.1 authorizes a two-level upward enhancement "[i]f the defendant willfully obstructed or attempted to obstruct or impede, the administration of justice during the investigation, prosecution, or sentencing of the instant offense . . . ." The commentary to § 3C1.1 provides a non-exhaustive list of conduct which constitutes obstruction of justice, including "providing materially false information to a probation officer in respect to a presentence . . . investigation for the court." U.S.S.G. § 3C1.1, comment. n.3(h). Under the Guidelines, material evidence is that which, "if believed, would tend to influence or affect the issue under determination." U.S.S.G. § 3C1.1, comment. n.5. In the case at bar, Romer maintains that the district court erred in failing to make an explicit finding of materiality with respect to the information withheld from the probation officer. We are unpersuaded. Although it is true that the district court did not make an express finding of materiality, our cases have never held that such a finding is required. Instead, it is sufficient if a finding of materiality may be implied from the court's statements during sentencing. See United States v. Saintil, 910 F.2d 1231, 1233 (4th Cir. 1990). Here, the district court imposed an upward enhancement after providing Romer with the opportunity to explain her failure to be forthcoming with regards to her assets. In response to Romer's explanation that this failure was a mere oversight, the district judge stated,"I have problems with somebody who's a CPA being that lax in remembering the details, especially in a context that's as important as a presentence investigation . . . . [I am unable] to accept your statement that you merely forgot to fully disclose all of your assets." We believe a finding of materiality is implicit in the

court's remarks. The court's statements and the context in which they were given reveal that the matter was given careful consideration and that the court believed that Romer had intentionally withheld information material to the presentence investigation.[3] The upward enhancement is therefore affirmed.

IX.

In summary, we affirm the district court on all matters.

AFFIRMED

---

[3] Furthermore, because an accurate estimate of a defendant's assets is a prerequisite to the imposition of fines, see U.S.S.G. § 2R1.1, comment. n.2, we cannot say that the district court's finding of materiality was clearly erroneous. See United States v. Hicks , 948 F.2d 877, 886 (4th Cir. 1991) ("The question of materiality [under § 3C1.1] is a factual determination . . . subject to the clearly erroneous standard of review.") (citation omitted).

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

UNITED STATES OF AMERICA
Plaintiff - Appellee,

v.

MIJA S. ROMER
Defendant - Appellant.

No. 97-4342
CR-96-350-A

UNITED STATES OF AMERICA
Plaintiff - Appellee,

v.

KEHM C. BATRA

Defendant - Appellant.

No. 97-4343
CR-96-350-A

Filed: July 21, 1998
Entered: July 21, 1998

On Petition for Rehearing
with Suggestion for Rehearing In Banc

The appellants' petition for rehearing and suggestion for rehearing in banc were submitted to this Court. As no

member of this Court or the panel requested a poll on the suggestion for rehearing in banc, and

As the panel considered the petition for rehearing and is of the opinion that it should be denied,

IT IS ORDERED that the petition for rehearing and suggestion for rehearing in banc are denied.

For the Court,

/s/ Patricia S. Connor

JURY INSTRUCTIONS

Your Honor,

We are taking a break from 11:15 to 11:35 a.m.

Thank you,

Daniel Maiorana

Also, could we have a clarification of what "directly' means in "directly impose"?

"Directly" means what it ordinarily means in English. It is the opposite of "indirectly."

L.M.B. 1/27/97
(United States District Court Judge)

Cary Greenberg
Cathleen Mahoney
Jime Lowe

1/27/97

Your Honor,

We are going to lunch until 2:45. We have a question:

To directly affect interstate commerce do the defendant's actions have to actually stop goods that are actually moving in commerce?

Some members are confused as to the direct vs. indirect distinction. Could we get some clarification?

Thank you,

David Maiorana

Your Honor,

We need clarification of the standard for interstate commerce. Does the defendant's activity have to actually affect goods that are flowing or does the activity have to affect goods that do generally flow in commerce. In other words does the actual flow have to be affected or just that the goods affected are those that flow in commerce?

Thank you,

David Maiorana

Supreme Court, U.S.
FILED
JAN 22 1999
CLERK

No. 98-852

In the Supreme Court of the United States

OCTOBER TERM, 1998

MIJA S. ROMER AND KHEM C. BATRA, PETITIONERS

v.

UNITED STATES OF AMERICA

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

BRIEF FOR THE UNITED STATES IN OPPOSITION

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1788

QUESTIONS PRESENTED

1. Whether the evidence at trial supported the jury's finding that petitioners' bid-rigging conspiracy had the nexus to interstate commerce required by the Sherman Act, 15 U.S.C. 1.

2. Whether petitioners adequately preserved their objections to the district court's refusal to give two jury instructions.

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In the Supreme Court of the United States

OCTOBER TERM, 1998

No. 98-852

MIJA S. ROMER AND KHEM C. BATRA, PETITIONERS

v.

UNITED STATES OF AMERICA

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

BRIEF FOR THE UNITED STATES IN OPPOSITION

OPINIONS BELOW

The opinion of the court of appeals (Pet App. 1-23) is reported at 148 F.3d 359. The opinion of the district court denying petitioners' motions for judgments of acquittal (C.A. App. 1391-1398) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on June 24, 1998. A petition for rehearing was denied on July 21, 1998 (Pet. App. 24-25). On October 8, 1998, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including November 19, 1998. The petition for a writ of certiorari

was filed on that date. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATUTE AND RULE INVOLVED

1. The Sherman Act, 15 U.S.C. 1, provides, in relevant part:

> Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States * * * is declared to be illegal.

2. Rule 30 of the Federal Rules of Criminal Procedure provides, in relevant part:

> No party may assign as error any portion of the charge or omission therefrom unless that party objects thereto before the jury retires to consider its verdict, stating distinctly the matter to which that party objects and the grounds of the objection.

STATEMENT

Following a jury trial in the United States District Court for the Eastern District of Virginia, petitioners Mija S. Romer and Khem C. Batra were convicted of various offenses stemming from their participation in a conspiracy to rig bids at real-estate foreclosure auctions. Both were convicted of violating Section 1 of the Sherman Act, 15 U.S.C. 1. In addition, Romer was convicted of bank fraud, in violation of 18 U.S.C. 1344, and tax fraud, in violation of 18 U.S.C. 371. Batra was sentenced to three years' probation, with a special condition of 90 days' imprisonment to be followed by three months' home detention. Romer was sentenced to concurrent terms of 18 months' imprisonment on each count, followed by a total of three years' super-

vised release. Pet. App. 2-3, 5; C.A. App. 1473-1474, 1482.[1] The court of appeals affirmed. Pet. App. 1-23.

1. Romer and Batra participated in a conspiracy to limit bidding competition at public foreclosure auctions on residential property in Fairfax County, Virginia. At the public auctions, a designated member of the conspiracy bid on the property, while the other members refrained from bidding. If the designated member won the bid, a second, private auction was held among the conspirators. The difference between the sale price at the public auction and the higher sale price at the secret auction was then divided among the conspirators. The effect of the conspiracy was to lower artificially the prices that lenders, lien holders, and homeowners received as a result of the auctions and to divide among the conspirators the amount that would otherwise have gone to those victims. Pet. App. 3; C.A. App. 95-96, 124-128, 198.

Under Virginia law, in order for property to be sold at foreclosure under a deed of trust, a public auction must be conducted. Va. Code Ann. § 55-59(7) (Michie 1995). The sale generates funds to pay the lender who holds a deed of trust on the property, to pay any other creditors who hold liens on the property, and, if there are enough proceeds, to pay the former owner of the property. The lender initiates the foreclosure, appointing the trustee to conduct the sale by auction. After the sale, the trustee delivers a trustee's deed to the successful buyer and disburses funds received from the buyer to lenders, lien holders, and former owners. The

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[1] Both defendants were also ordered to pay restitution, and Romer was ordered to pay a fine. The district court found that Batra was unable to pay a fine. Pet. App. 5; C.A. App. 1437-1439, 1476-1477, 1484-1485.

parties stipulated that foreclosure proceedings on 12 properties subject to the conspiracy were initiated by lenders located outside Virginia and that the proceeds from 11 properties subject to the conspiracy were remitted out-of-state. Pet. App. 3; C.A. App. 51-53, 78-80, 92.

2. After the jury found both petitioners guilty on the Sherman Act count, the district court denied petitioners' motions for judgments of acquittal, which contended that the evidence failed to establish the requisite nexus between petitioners' bid-rigging conspiracy and interstate commerce. The court ruled that there was sufficient evidence to support the jury's findings that petitioners' activities either were in the flow of interstate commerce or substantially affected interstate commerce. C.A. App. 1391-1398.

3. The court of appeals affirmed petitioners' convictions. Pet. App. 1-23.

a. The court of appeals rejected petitioners' contention that the government had failed to prove the interstate commerce element of the Sherman Act offense. The court explained that this Court has articulated two alternative tests to guide in answering the "general question * * * whether the activities under alleged restraint have a sufficient nexus with interstate commerce." Pet. App. 7 (quoting *United States* v. *Foley*, 598 F.2d 1323, 1329 (4th Cir. 1979), cert. denied, 444 U.S. 1043 (1980)). The government thus may establish that interstate commerce nexus by showing "either [1] that the defendants' activity itself is in interstate commerce or, [2] if it is local in nature, that it has an effect on some other appreciable activity demonstrably in interstate commerce." *Ibid.* (quoting *McLain* v. *Real Estate Bd. of New Orleans, Inc.*, 444 U.S. 232, 242 (1980)).

The court of appeals concluded that the foreclosure auctions in which petitioners participated "were interstate transactions of the most fundamental sort," notwithstanding that the auctions occurred in Virginia, involved Virginia real property, and were conducted by a Virginia trustee. Pet. App. 8. The court observed that "[t]he driving force behind each auction was the financial interest of an out-of-state lender, who initiated the auction to recover the balance of an outstanding debt." *Ibid.* The trustee who conducted the auction, while himself local, was "a mere resident agent, appointed by the [out-of-state] lender to conduct the auction on the lender's terms." *Ibid.* It was thus the out-of-state "lender who initiated the foreclosure, who directed the terms of the auction, and who, at the close of each sale, received across state lines some portion of the proceeds in satisfaction of its interest in the property." *Ibid.*

The court of appeals next rejected petitioners' alternative argument that, even if the foreclosure auctions themselves were interstate in nature, petitioners' participation was not "integral" to or "inseparable" from the auctions, and thus not within the flow of interstate commerce under *Goldfarb* v. *Virginia State Bar*, 421 U.S. 773, 784 (1975). The court explained that petitioners "were not convicted of rigging bids at hypothetical auctions they did not attend," but of rigging bids at particular auctions that "they not only attended, but at which they were the successful bidders." Pet. App. 9. Accordingly, said the court, petitioners "assumed a role that was not only integral to but inseparable from the interstate sale of property." *Ibid.*

The court of appeals further held that *United States* v. *Lopez*, 514 U.S. 549 (1995), does not cast doubt on

whether the Sherman Act, as applied to the sort of activity at issue in this case, is within Congress's regulatory power under the Commerce Clause. The court noted that this Court stated in *Lopez* that an Act of Congress is a valid exercise of the commerce power if the law contains a "jurisdictional element which . . . ensure[s], through case-by-case inquiry, that the [activity] in question affects interstate commerce." Pet. App. 9 (quoting *Lopez*, 514 U.S. at 561). The court observed that the Sherman Act contains such a jurisdictional element and that the requisite inquiry had been conducted in this case into whether a sufficient nexus existed between petitioners' activity and interstate commerce. *Ibid.*

b. The court of appeals also rejected petitioners' claim that the district court erred in declining to give two of their proposed jury instructions. The court noted that petitioners had failed to object at trial to the district court's refusal to give the requested instructions. Pet. App. 12. The court therefore reviewed petitioners' challenges only for plain error. *Ibid.*; see Fed. R. Crim. P. 30.

The court of appeals held that the district court did not err in refusing to give petitioners' first requested instruction, a definition of the term "joint venture" taken from *Black's Law Dictionary*. The court explained that the instruction "threatened to confuse the jury's understanding of applicable law." Pet. App. 12. The court also determined that petitioners' point was adequately made by another instruction, which informed the jury that "forming a partnership or an agreement to bid on a contract [is not] necessarily a violation of the [Sherman A]ct." *Ibid.*

As for petitioners' second requested instruction, which would have informed the jury that bid-rigging

violates the Sherman Act only if it involves "an agreement between competitors," the court of appeals suggested that the district court's refusal to give the instruction "may have been erroneous." Pet. App. 12-13. But the court found it unnecessary to resolve the question. The court explained that petitioners could not meet their burden of establishing actual prejudice, as is necessary for reversal under the plain error standard, see *United States* v. *Olano*, 507 U.S. 725, 731-732 (1993), because "there was no evidence on which a properly instructed jury could have concluded that [petitioners] and their cohorts were anything but competitors." Pet. App. 13.[2]

ARGUMENT

1. Petitioners urge the Court to grant the petition for certiorari in order to resolve "confusion among circuit court opinions concerning the line of demarcation between intrastate and interstate commerce" in criminal prosecutions under the Sherman Act. Pet. 8. But petitioners do not support that assertion with any citation to any opinion of any other circuit that even involves a prosecution under the Sherman Act, much less any opinion that evinces any tension among the circuits over the application of the Sherman Act's interstate commerce element in similar circumstances. Indeed, in the only other reported opinion addressing the application of the interstate commerce element of the Sherman Act in a prosecution for bid-rigging at real-estate foreclosure sales, the district court held, on

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[2] Petitioners raised several other arguments in the court of appeals, including an argument that the district court had erred in admitting certain evidence. The court rejected those arguments (Pet. App. 10-11, 13-23), which petitioners have not raised again in this Court.

facts similar to those here, that the interstate commerce element was satisfied. *United States* v. *Guthrie*, 814 F. Supp. 942, 944-946 (E.D. Wash. 1993), aff'd, 17 F.3d 397 (9th Cir. 1994) (Table). This Court denied a petition for certiorari, 513 U.S. 823 (1994), which raised the interstate commerce issue. See Petition in *Guthrie* v. *United States*, No. 93-2047.

Nor does this case disregard "any distinction between interstate and intrastate commerce." Pet. 8. The jury, the district court, and the court of appeals all carefully considered whether, under the alternative tests articulated by this Court, see *McLain* v. *Real Estate Board of New Orleans, Inc.*, 444 U.S. 232 (1980), petitioners' bid-rigging conspiracy had the nexus to interstate commerce that the Sherman Act requires. See Pet. App. 6-9; C.A. App. 1391-1398 (district court opinion); see also C.A. App. 1294-1310, 1312-1321 (proceedings relating to jury's deliberations on interstate commerce issue). There is no reason for this Court to review that application of settled law to the particular facts of this case. See Sup. Ct. R. 10.

In any event, the evidence at trial was more than sufficient to establish, beyond a reasonable doubt, that the foreclosure auctions, which were the subject of petitioners' bid-rigging conspiracy, both were in the flow of interstate commerce and substantially affected interstate commerce under *McLain*.[3]

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[3] Petitioners suggest (Pet. 8-9) that the interstate commerce analysis varies in civil and criminal antitrust cases. While the quantum of proof is different, the interstate commerce inquiry is the same. See, *e.g.*, *United States* v. *Aquafredda*, 834 F.2d 915, 917-918 (11th Cir. 1987) (criminal antitrust case applying *McLain* standards), cert. denied, 485 U.S. 980 (1988); *United States* v. *Fischbach & Moore, Inc.*, 750 F.2d 1183, 1191-1192 (3d Cir. 1984) (same), cert. denied, 470 U.S. 1029 (1985).

The "Flow of Commerce" Test: This Court has explained that an activity is in the flow of interstate commerce if it is "an integral part of an interstate transaction." *Goldfarb* v. *Virginia State Bar*, 421 U.S. 773, 784-785 (1975); see also *McLain*, 444 U.S. at 244 (describing *Goldfarb* as a flow of commerce case). Activities in the flow of commerce "need have but minimal impact upon the commerce to 'affect' it, since by definition they are a very part of the stream." *United States* v. *Foley*, 598 F.2d 1323, 1329 (4th Cir. 1979), cert. denied, 444 U.S. 1043 (1980); see also *Goldfarb*, 421 U.S. at 785 ("once an effect is shown, no specific magnitude need be proved"). The evidence presented at trial amply satisfied that standard.[4]

The foreclosure sales that were subject to petitioners' conspiracy were, as the court of appeals put it, "interstate transactions of the most fundamental sort." Pet. App. 8. The parties stipulated that the lenders that initiated 12 of those foreclosure sales were located outside Virginia. C.A. App. 51-53. The trustees who conducted the foreclosure auctions were selected by the out-of-state lenders and acted pursuant to instructions from those lenders, including bidding instructions. *Id.* at 79-80, 82, 113-116. Some of the auctions were advertised outside Virginia, and some of the prospective bidders came from outside Virginia. *Id.* at 81-82, 100. The trustee disbursed the proceeds of each sale to the out-of-state lender for whom the trustee foreclosed; the

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[4] Petitioners argue (Pet. 8, 10) that the court of appeals cast its net too broadly when it stated that it was appropriate to "consider * * * all other conceivable links with interstate commerce" (Pet. App. 8). But the court, in fact, considered only the parties directly linked to the foreclosure process, such as the foreclosing out-of-state lenders. See *ibid.*

parties stipulated that proceeds from 11 of the sales subject to the conspiracy were remitted out-of-state. *Id.* at 51-53. Any surplus proceeds were paid first to lien holders and then to former owners, whether located in Virginia or elsewhere. *Id.* at 92. This case is thus analogous to *Goldfarb*, which recognized that purchases of homes in Fairfax County, Virginia, were interstate transactions, principally because such purchases were often financed by out-of-state lenders. 421 U.S. at 783-784; cf. *United States* v. *Robertson*, 514 U.S. 669, 671-672 (1995) (per curiam) (activities of a gold mine were in interstate commerce where, *inter alia*, some of the gold from the mine was transferred out-of-state).

The petitioners' bidding at the auctions was, moreover, an "integral part" of the interstate foreclosure sales. Pet. App. 9. Without such bidding at public auction, which is required by Virginia law (Va. Code Ann. § 55-59(7) (Michie 1995)), the foreclosure process could not have proceeded. See *Goldfarb*, 421 U.S. at 784-785 (attorneys' services in conducting title searches, which were a necessary prerequisite to obtaining financing for home purchases, were an integral part of those interstate transactions); *Guthrie*, 814 F. Supp. at 946 (defendant's rigged bids at real-estate foreclosure sales were part of the flow of interstate commerce, because "the funds [defendant] tendered to the trustees at the foreclosure sales eventually made their way across state lines to the out of state banks").

The "Affecting Commerce" Test: This Court has held that the Sherman Act extends to activity, although not itself *in* interstate commerce, that nonetheless has "a substantial effect on interstate commerce." *McLain*, 444 U.S. at 242. That standard may be satisfied by demonstrating that the underlying commercial activity

subject to the anti-competitive restraint actually or potentially had a substantial effect on interstate commerce. *Summit Health, Ltd.* v. *Pinhas*, 500 U.S. 322, 330-332 (1991); *McLain*, 444 U.S. at 242-243. In *McLain*, for example, the Court recognized that the activities of residential real-estate brokers in New Orleans, Louisiana, could have the requisite effect on interstate commerce. The Court explained that the brokers' activities "necessarily affect both the frequency and the terms of residential sales transactions," which could, in turn, affect the demand for financing and title insurance provided by interstate corporations. 444 U.S. at 245-246.

The evidence at trial was sufficient to establish that the foreclosure auctions in this case met the "affecting commerce" standard. The district court found that "[t]he nine auctions in which [petitioners] participated generated over one million dollars of proceeds to satisfy debts held by out-of-state lenders." C.A. App. 1397. The district court further found that petitioners' conspiracy itself had a potentially substantial impact on interstate commerce by "threaten[ing] the ability of lenders, creditors and former homeowners," some of whom were outside Virginia, "to fully recoup their losses." *Ibid.*

Finally, the court of appeals' decision affirming petitioners' Sherman Act convictions is not, as petitioners claim (Pet. 12-14), inconsistent with *United States* v. *Lopez*, 514 U.S. 549 (1995), which held that the Gun-Free School Zones Act of 1990 exceeded Congress's authority under the Commerce Clause. In *Lopez*, the Court distinguished statutes, such as the Sherman Act, that contain a "jurisdictional element which would ensure, through case-by-case inquiry," the requisite nexus with interstate commerce, from the statute at issue in

that case, which contained no such jurisdictional element. 514 U.S. at 561. As the court of appeals concluded, *Lopez* provides no basis for petitioners to escape liability under the Sherman Act. Pet. App. 9.

2. Petitioners further contend (Pet. 14) that this case implicates a conflict among the courts of appeals "as to what constitutes a preservation of an objection to a jury instruction" under Rule 30 of the Federal Rules of Criminal Procedure. No such circuit conflict exists.

Rule 30 requires that a party make a specific and timely objection to the district court's refusal to give a jury instruction:

> No party may assign as error any portion of the charge or omission therefrom unless that party objects thereto before the jury retires to consider its verdict, stating distinctly the matter to which that party objects and the grounds of the objection.

Fed. R. Crim. P. 30. As the First Circuit has explained, Rule 30 "means what it says," *i.e.*, that "[a] party may not claim error in the judge's charge to the jury unless that party 'objects' after the judge gives the charge but before the 'jury retires,' and, when objecting the party must 'stat[e] . . . distinctly the matter to which that party objects and the grounds of that objection.'" *United States* v. *Wilkinson*, 926 F.2d 22, 26 (1st Cir.) (Breyer, J.), cert. denied, 501 U.S. 1211 (1991).

The colloquy on which petitioners rely (Pet. 6 n. 8) to demonstrate their objection to the district court's failure to give their requested instructions does not satisfy Rule 30. Petitioners merely made a general request for a jury instruction on "the defense's theory of the case." C.A. App. 1232-1233. They did not "distinctly" object to the district court's failure to give their requested instructions on "the need to prove that

Petitioners were competitors" or on "the law on partnership and joint bidding" (Pet. 15). Nor did they articulate any "grounds" to explain why the absence of those instructions was error. In these circumstances, the court of appeals correctly held that petitioners had "failed to object to the district court's denial of those requests," and accordingly reviewed petitioners' challenges to the district court's refusal to give the requested instructions only for plain error. Pet. App. 12-13.

Petitioners contend (Pet. 14-16) that the Fourth Circuit in this case "require[d] a strict, formalistic approach in determining the sufficiency of a properly lodged objection to a jury instruction."[5] They assert that cases from the Second and Ninth Circuits apply a more liberal standard. Pet. 16 (citing cases). But none of those cases involves circumstances similar to those here.

The Ninth Circuit recognizes "'a sole exception to the requirement of a formal, timely, and distinctly stated objection' when a proper objection would be a 'pointless formality.'" *United States* v. *Klinger*, 128 F.3d 705, 711 (1997) (quoting *United States* v. *Kessi*, 868 F.2d 1097, 1102 (9th Cir. 1989)). The court of appeals did not, however, find that the "pointless formality" exception was satisfied in either *Kessi* or *Klinger*, the two assertedly conflicting cases from the Ninth Circuit on which petitioners rely. Petitioners do not even attempt to demonstrate how that exception might be satisfied in this case.

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[5] Petitioners contend that the First Circuit has taken a similar approach in cases such as *United States* v. *O'Connor*, 28 F.3d 218, 221 (1994), and *Wilkinson*, 926 F.2d at 26.

Nor do the Second Circuit decisions relied on by petitioners demonstrate any circuit conflict. In *United States* v. *Masotto*, 73 F.3d 1233, 1237-1238 (2d Cir.), cert. denied, 519 U.S. 810 (1996), the court of appeals found that the defendant in a RICO prosecution had adequately preserved an objection to the district court's failure to give a jury instruction that contained certain "operation or management" language from *Reves* v. *Ernst & Young*, 507 U.S. 170 (1993). The court noted that defense counsel's objection, after the jury instructions had been given, did not specifically mention the *Reves* "operation or management" language. But the court held that defense counsel's references to his proposed instruction, which had contained the *Reves* "operation or management" language, combined with his objection to the absence of "an instruction based on the [*Reves*] decision," were "sufficient to direct the district court to his contention." 73 F.3d at 1238; see also *Ostrowski* v. *Atlantic Mut. Ins. Cos.*, 968 F.2d 171, 177-178 (2d Cir. 1992) (noting counsel's specific objection, after the jury was charged, to the district court's failure to give a "burden-shifting" instruction in accordance with *Price Waterhouse* v. *Hopkins*, 490 U.S. 228 (1989)). No similarly precise objection was made here.

Finally, even under the standard of review that petitioners urge, the court of appeals still would not have reversed their convictions, because the district court's failure to give the proposed instructions was not error at all or was merely harmless error. As for the proposed instruction defining "joint ventures," the instruction could properly have been rejected as potentially "confus[ing]" (Pet. App. 12), since no witness had used that term at trial to refer to petitioners' activities. And, as the court of appeals explained, that proposed instruction was unnecessary, because the district court

instructed the jury that "forming a partnership or *an agreement* to bid on a contract [is not] necessarily a violation" of the Sherman Act, an instruction that encompassed one-time arrangements such as joint ventures. *Ibid.* (emphasis added). As for the proposed instruction that the government must prove that petitioners were competitors, the instruction was not an accurate statement of the law, because potential competitors, as well as actual competitors, may violate the Sherman Act by rigging bids. See, *e.g.*, *United States* v. *Sargent Elec. Co.*, 785 F.2d 1123, 1127 (3d Cir.) ("actual or potential competitors"), cert. denied, 479 U.S. 819 (1986).[6] In any event, the court of appeals recognized that petitioners would not have been helped even if the proposed instruction had been given, "since there was no evidence on which a properly instructed jury could have concluded that [petitioners] and their cohorts were anything but competitors." Pet. App. 13.

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[6] The district court gave a correct definition of bid-rigging (C.A. App. 1205-1206), which closely followed the ABA Antitrust Section's *Sample Jury Instructions in Criminal Antitrust Cases* 19 (J.P. Kennedy et al. eds., 1984).

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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